

Portland Public Schools

Portland , Michigan

Annual Financial Statements

and

Auditors' Report

June 30, 2005

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Portland Public Schools
Portland, Michigan
Members of the Board of Education and Administration
June 30, 2005

Members of the Board of Education

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ROBERT BALDYGA	VICE – PRESIDENT
MAUREEN WALLACE	SECRETARY
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CHARLES DUMAS	SUPERINTENDENT
WARD MCGINNIS	DIRECTOR OF OPERATIONS
SCOTT BROWN	DIRECTOR OF FINANCE



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Independent Auditors' Report

To the Board of Education
Portland Public Schools
Portland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Portland Public Schools as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Portland Public School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Portland Public School District as of June 30, 2005, and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 28, 2005 on our consideration of the Portland Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Portland Public School District basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Alma, Michigan
July 28, 2005

As management of the Portland Public Schools, we offer readers of the Portland Public Schools' financial statements this narrative overview and analysis of the financial activities of the Portland Public Schools for the fiscal year ended, June 30, 2005.

Financial Highlights

- The assets of the Portland Public Schools exceeded its liabilities at the close of the most recent fiscal year by \$2,049,479 (*net assets*).
- The school district's total net assets decreased by \$741,688.
- As of the close of the current fiscal year, the Portland Public Schools' governmental funds reported combined ending fund balances of \$803,947. The majority of this amount is attributable to general fund balance of \$665,622.
- At the end of the current fiscal year, reserved and undesignated fund balance for the general fund was \$665,622, or 4.35% percent of total general fund expenditures and other financing uses.
- The Portland Public Schools' total debt decreased by \$977,666 during the current fiscal year. The key factor in this decrease was the ongoing effort to pay down debt acquired from the 1997, 2001 and 2002 Bond Issues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Portland Public Schools' basic financial statements. The Portland Public Schools' basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements - The *district-wide financial statements* are designed to provide readers with a broad overview of the Portland Public Schools' finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Portland Public Schools' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Portland Public Schools is improving or deteriorating.

The *statement of activities* presents information showing how the school district's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the district-wide financial statements distinguish functions of the Portland Public Schools that are principally supported by property taxes, state aid revenues and various revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. Examples of these user fees and charges include student activity fees for extracurricular activities, latchkey fees and student lunch fees.

The district-wide financial statements can be found on pages 4-1, 4-2 and 4-3 of this report.

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Portland Public Schools, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Portland Public Schools can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a school district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the school district's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The reconciliations can be found on pages 4-5 and 4-7 of this report.

The Portland Public Schools maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund and the other governmental funds. Data from the other three governmental funds are combined into a single, aggregated presentation. These three separate governmental funds are the school lunch fund, activities fund and the community services (latchkey) fund. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 6-1 and 6-2 of this report.

The Portland Public Schools adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-4 and 4-6 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the school district. Fiduciary funds are *not* reflected in the district-wide financial statement because the resources of those funds are *not* available to support the Portland Public Schools' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 4-8 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 4-9 through 4-21 of the report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Portland Public Schools' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 5-1 of this report.

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a school district's financial position. In the case of the Portland Public Schools, assets exceeded liabilities by \$2,049,479 at the close of the most recent fiscal year.

The largest portion of the Portland Public Schools' net assets is the amount invested in capital assets, net of related debt (\$2,537,290). The majority of net assets invested in capital assets, net of related debt were acquired through voter approved school building and site general obligation bonds issued by Portland Public Schools. Portland Public Schools received \$27,945,000 for the 2001 bond issue in addition to investment income earned since November 19, 2001. The amount of this bond issue and investment income earned less the amount restricted for capital projects equals the amount of construction related costs incurred before June 30, 2005. The vast majority of these costs incurred are included as Capital Assets within the Summary of Net Assets detailed below.

The most significant portion of the Portland Public Schools' net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Portland Public Schools use these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Portland Public Schools' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Assets:

The following summarizes the net assets for the fiscal years ended, June 30, 2005 and 2004.

	June 30, 2005	June 30, 2004
Assets		
Current assets	\$ 4,699,374	\$ 5,471,969
Capital assets		
	49,947,857	49,824,441
Less: Accumulated depreciation	<u>(12,285,037)</u>	<u>(10,921,126)</u>
Capital assets, net book value	<u>37,662,820</u>	<u>38,903,315</u>
Total assets	<u>42,362,194</u>	<u>44,375,284</u>
Liabilities		
Current liabilities	5,942,694	6,658,801
Long-term liabilities	<u>34,370,021</u>	<u>34,925,316</u>
Total liabilities	40,312,715	41,584,117
Net Assets		
Invested in capital assets, net of related debt	2,537,290	3,214,979
Unrestricted	<u>(436,262)</u>	<u>(423,812)</u>
Total net assets	<u>\$ 2,049,479</u>	<u>\$ 2,791,167</u>

An additional portion of the Portland Public Schools' net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the district's ongoing obligations to citizens and creditors. The negative unrestricted net assets are mainly due to the amounts payable in the future for compensated absences to qualified employees upon his/her termination with the Portland Public Schools'.

District wide activities. District wide activities increased the Portland Public Schools' net assets by \$1,245,532.

Results of Operations:

For the fiscal years ended, June 30, 2005 and 2004, the district wide results of operations were:

	June 30, 2005	June 30, 2004
Revenues:		
General revenues:		
Property taxes levied for general operations	\$ 831,739	\$ 756,581
Property taxes levied for debt service	2,040,733	1,908,366
State of Michigan unrestricted foundation aid	12,630,842	12,408,015
Interest and investment earnings	37,181	57,535
Other general revenues	<u>39,460</u>	<u>161,784</u>
Total general revenues	15,579,955	15,292,281
Operating grants:		
Instruction	1,923,544	1,698,998
Other operating grants	<u>141,839</u>	<u>38,020</u>
Total operating grants	2,065,383	1,737,018
Charges for services:		
Food service	435,701	503,573
Other charges for services	<u>259,578</u>	<u>220,877</u>
Total charges for services	<u>695,279</u>	<u>724,450</u>
Total revenues	18,340,617	17,753,749
Expenses:		
Instruction	9,073,540	8,707,606
Supporting services	5,422,356	5,203,045
Food services	551,160	535,418
Athletics	485,001	452,100
Community services	107,228	104,713
Intergovernmental payments	342,842	320,048
Interest on long-term debt	1,633,469	1,633,621
Capital Outlay	-	97,258
Other	-	47,188
Depreciation	<u>1,466,709</u>	<u>1,474,550</u>
Total expenses	<u>19,082,305</u>	<u>18,575,547</u>
Increase in Net Assets	(741,688)	(821,798)
Beginning Net Assets	<u>2,791,167</u>	<u>3,612,965</u>
Ending Net Assets	<u>\$ 2,049,479</u>	<u>\$ 2,791,167</u>

State of Michigan Unrestricted Foundation Aid - The State of Michigan aid, unrestricted, is determined with the following variables:

1. State of Michigan State Aid Act per student foundation allowance.
2. Student Enrollment – Blended at 80 percent of current year's fall student count and 20 percent of prior year's winter student count.
3. The Portland Public Schools' non-homestead tax levy.

Per Student, Foundation Allowance - The State of Michigan establishes the per student foundation allowance on an annual basis. The Portland Public Schools' foundation allowance was established at \$6,700 per student for the 2004-2005, 2003-2004 and 2002-2003 school years.

2004-2005 marked the first time since the 2001-2002 school year that State Aid revenues were not reduced during the school year.

In January 2004, the State of Michigan announced that state tax revenues were not meeting expectations. As a result, the foundation allowance for all school districts throughout the State of Michigan was reduced. Portland Public Schools' foundation allowance was reduced by \$74 per student. This \$74 reduction per student decreased expected State Aid revenues by \$153,937 for the 2003-2004 school year.

A similar reduction in State Aid funding occurred during the 2002-2003 school year. In January 2003, the State of Michigan announced that state tax revenues were not meeting expectations. As a result, the foundation allowance for all school districts throughout the State of Michigan was reduced. Portland Public Schools' foundation allowance was reduced by \$67 per student. This \$67 reduction per student decreased expected State Aid revenues by \$135,971 for the 2002-2003 fiscal year.

Student Enrollment - Portland Public Schools' student enrollment for the fall count of 2004-2005 was 2,086 students. Portland Public Schools' enrollment decreased slightly from the prior school year's student count. The following summarizes fall student enrollments in the past seven years.

School Year	Student FTE
2004 - 2005	2,086
2003 - 2004	2,087
2002 - 2003	2,048
2001 - 2002	2,047
2000 - 2001	1,992
1999 - 2000	2,000
1998 - 1999	2,009

Property taxes levied for general operations (General Fund Non-Homestead Taxes) - The Portland Public Schools' levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. The taxable valuation increase for property tax is capped on an annual basis at the rate of the prior year's Consumer

Price Index increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is theoretically 50 percent of the property's market value.

The Portland Public Schools' non-homestead property revenue for the 2004-2005 fiscal year was \$831,739. The non-homestead tax levy increased by 75,158 (9.93 percent) over the prior year.

The following summarizes the Portland Public Schools' non-homestead levy the past five years.

Fiscal Year	Non-Homestead Tax Levy	% Increase From Prior Year
2004-2005	\$ 831,739	9.93%
2003-2004	756,393	3.94
2002-2003	727,736	7.97
2001-2002	673,992	6.77
2000-2001	631,222	(1.02)
1999-2000	643,600	9.59

Property taxes levied for debt service (Debt Taxes) - Portland Public Schools' debt fund levy is used to pay the principal and interest on bond obligations. The tax levy is based on the taxable valuation of all homestead and non-homestead properties. In addition, the Portland Public Schools' collects IFT (Industrial Facilities Taxes) in lieu of taxes that are essentially taxed at 50 percent of the regular tax rate.

The Portland Public Schools' levied 7.35 mills for the fiscal year ended, June 30, 2005. This tax levy generated tax revenue of \$2,040,733.

Fund Financial Analysis

As noted earlier, the Portland Public Schools uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the Portland Public Schools' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Portland Public Schools' financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a school district's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Portland Public Schools' governmental funds reported combined ending fund balances of \$803,947. \$596,526 constitutes *undesignated fund balance*, which is available for spending at the school district's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$69,096), 2) to pay debt service (\$129,805), or 3) to complete building construction and purchase necessary equipment (\$8,520).

As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total fund expenditures and other financing uses. Undesignated fund balance represents 3.90% percent of total general fund expenditures and other financing uses, while total fund balance represents 4.35% of total general fund expenditures and other financing uses. It is widely recommended that school districts have a fund balance of 15 to 20 percent of their budgeted expenditures and other financing uses.

The recommended fund balance percentage allows Michigan school districts to avoid borrowing (or to lessen the amount to be borrow) during the two month period between August and October State Aid payments. In addition, a sufficient fund balance allows a school district to more easily absorb cuts in State funding such as those that have occurred in the past three years. A financial cushion allows a district to avoid drastic changes in educational programs and/or employee layoffs during the school year.

The fund balance of the Portland Public Schools' general fund increased by \$178,281 during the 2004-2005 fiscal year. Key factors in this growth are as follows:

- A decrease in the student count (1 student) resulted in a decrease of \$6,700 from State of Michigan State Aid revenues.
- A new county special education millage was approved by voters on March 18, 2003. It allows the county to levy 1.75 mill to all property owners. The county collects the tax and provides it to Ionia County Intermediate School District. Ionia County Intermediate School District distributes a portion of this tax revenue to all public school district within Ionia County. Portland Public Schools' share of this tax revenue for 2004-2005 was \$473,652.
- The latchkey and school lunch programs transferred excess revenues over expenditures equaling \$40,050 to the general fund.

General Fund Budgetary Highlights

General Fund Expenditures Budget vs. Actual Expenditures

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual & Original Budget	Expenditures Variance Actual & Final Budget
2004-2005	\$ 15,767,609	\$ 15,583,329	\$ 15,455,400	2.02%	0.82%

General Fund Revenue Budget vs. Actual Revenues

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual & Original Budget	Revenues Variance Actual & Final Budget
2004-2005	\$ 15,557,592	\$ 15,714,321	\$ 15,633,681	0.49%	0.52%

Original vs. Final Budget - The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Portland Public Schools amends its budget two times during the school year. For the fiscal year ended, June 30, 2005, the budget was amended in November 2004, March 2005 and June 2005. The June 2005 budget amendment was the final budget for the fiscal year.

Capital Asset and Debt Administration

Capital assets - The Portland Public Schools' investment in capital assets for its governmental activities as of June 30, 2005, amounts to \$37,662,820 (net of accumulated depreciation). This investment in capital assets included land, buildings and additions, site improvements, equipment and furniture, buses and other vehicles and construction in progress.

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets	\$ 49,824,441	\$ 801,698	\$ (678,282)	\$ 49,947,857
Less: accumulated depreciation	(10,921,126)	(1,446,709)	102,798	\$ (12,285,037)
Net investment capital outlay	\$ 38,903,315	\$ (665,011)	\$ (575,484)	\$ 37,662,820

In 2001, Portland Public School district voters approved a \$27,945,000 school building and site general obligation bond issue. The proceeds from that bond issue were used for constructing additions to and partially remodeling existing school facilities, constructing a new adult education building and equipping and re-equipping all school facilities. It is expected that the capital project will be complete before the end of the next fiscal year.

Economic Factors and Next Year's Budgets and Rates

1. On March 18 2003, the voters of Ionia County passed a new special education millage that will allow Ionia County to levy 1.75 mill on the taxable valuation of all homestead and non-homestead properties. This millage, in addition to other sources of revenues received from Ionia Intermediate School District, resulted in revenues of \$367,932 for the 2003-2004 school year, \$473,652 for the 2004-2005 school year and will provide approximately \$470,000 for each school year after 2004-2005.
2. The foundation allowance to be received from the State of Michigan for 2005-2006 has been established at \$6,875. This is a \$175 increase per student over the foundation allowance that was established at the beginning of the 2002-2003, 2003-2004 and 2004-2005 school years.
3. The \$175 per student increase in State funding will quickly be offset by the increase in health insurance and retirement costs. Our budgeted numbers at the beginning of 2005-2006 shows that the increase in health insurance costs per student is \$64 and the increase in retirement costs per student is \$83.

Utility costs will be another area of high cost increases. Our district is a member of the Michigan Schools Energy Cooperative (MISEC). The MISEC natural gas contract expired at the end of September 2005. Under that contract, Portland Public School's natural gas costs were \$0.349 per Ccf. Natural gas costs are currently at least double the amount that we paid under the former contract. In 2004-2005, our district paid \$91,632 for natural gas. If this amount doubles in 2005-2006, the increase in natural gas costs per student will be \$43.

4. The September 2005 student FTE count is 2,108. This is a increase of 22 students compared to the September 2004 student FTE count.

5. On June 24, 2005, Portland Public Schools issued general obligation bonds of \$7,440,000 to advance refund term bonds. Details and savings of the refinanced debt issues are on page 4 – 18.

All of these factors were considered in preparing the Portland Public Schools' budget for the 2006 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the Portland Public Schools' finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Portland Public Schools Central Office, 1100 Ionia Road, Portland, MI 48875.

Portland Public Schools
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash	\$ 1,888,512
Accounts receivable	69,311
Due from other governmental units	2,661,304
Inventory	7,726
Other current assets	<u>72,521</u>
Total current assets	<u>4,699,374</u>
Noncurrent assets	
Capital assets	
Land	77,000
Buildings and additions	40,193,589
Site improvements	1,830,850
Equipment and furniture	6,083,709
Buses and other vehicles	1,662,709
Construction in progress	100,000
Less: accumulated depreciation	<u>(12,285,037)</u>
Total noncurrent assets	<u>37,662,820</u>
Total assets	<u>\$ 42,362,194</u>

See Accompanying Notes to Financial Statements

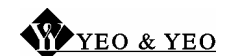
Portland Public Schools
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 250,674
Retainage payable	100,000
Due to other governmental units	26,602
State aid anticipation note payable	2,250,000
Bonds payable - current portion	1,510,598
Loans payable - current portion	112,523
Accrued interest	424,146
Accrued FICA and retirement	190,050
Accrued expenditures and payroll related accrued liabilities	49,067
Accrued salaries payable	874,812
Deferred revenue	<u>154,222</u>
Total current liabilities	<u>5,942,694</u>
Noncurrent liabilities	
Compensated absences payable	867,612
Bonds payable - long-term portion	29,953,007
School bond loan - long-term portion	3,409,103
Loans payable - long-term portion	<u>140,299</u>
Total noncurrent liabilities	<u>34,370,021</u>
Total liabilities	<u>40,312,715</u>
Net Assets	
Invested in capital assets, net of related debt	2,537,290
Unrestricted	<u>(436,262)</u>
Total net assets	<u>\$ 2,049,479</u>

See Accompanying Notes to Financial Statements

Portland Public Schools
Statement of Activities
Year Ended June 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental activities					
Instruction	\$ 9,073,540	\$ 37,302	\$ 1,923,544	\$ -	\$ (7,112,694)
Supporting services	5,422,356	-	-	-	(5,422,356)
Food services	551,160	435,701	141,839	-	26,380
Athletics	485,001	93,495	-	-	(391,506)
Community services	107,228	128,781	-	-	21,553
Intergovernmental payments	342,842	-	-	-	(342,842)
Interest on long-term debt	1,633,469	-	-	-	(1,633,469)
Other transactions	-	-	-	-	-
Depreciation - unallocated	1,466,709	-	-	-	(1,466,709)
Total governmental activities	<u>\$ 19,082,305</u>	<u>\$ 695,279</u>	<u>\$ 2,065,383</u>	<u>\$ -</u>	(16,321,643)
General revenues					
Property taxes, levied for general purposes					831,739
Property taxes, levied for debt service					2,040,733
State aid - unrestricted					12,630,842
Interest and investment earnings					37,181
Other					<u>39,460</u>
Total general revenues					<u>15,579,955</u>
Change in net assets					(741,688)
Net assets - beginning					<u>2,791,167</u>
Net assets - ending					<u>\$ 2,049,479</u>



See Accompanying Notes to Financial Statements

Portland Public Schools
Balance Sheet - Governmental Funds
June 30, 2005

	General Fund	2001 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 1,660,004	\$ 94,451	\$ 134,057	\$ 1,888,512
Accounts receivable	59,014	-	10,297	69,311
Due from other funds	7,863	-	24,519	32,382
Due from other governmental units	2,648,846	7,102	5,356	2,661,304
Prepaid expenditures	69,096	-	3,425	72,521
Inventory	-	-	7,726	7,726
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,444,823</u>	<u>\$ 101,553</u>	<u>\$ 185,380</u>	<u>\$ 4,731,756</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 219,691	\$ -	\$ 30,983	\$ 250,674
Retainage payable	-	-	100,000	100,000
State aid anticipation note payable	2,250,000	-	-	2,250,000
Due to other funds	24,518	-	7,864	32,382
Due to other governmental units	26,602	-	-	26,602
Payroll deductions and withholdings and payroll related accrued liabilities	49,067	-	-	49,067
Accrued salaries payable	866,957	-	7,855	874,812
Accrued FICA and retirement	188,144	-	1,906	190,050
Deferred revenue	154,222	-	-	154,222
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,779,201</u>	<u>-</u>	<u>148,608</u>	<u>3,927,809</u>
Fund Balance				
Reserved for prepaid expenditures	69,096	-	-	69,096
Reserved for debt service	-	101,553	28,252	129,805
Reserved for capital projects	-	-	8,520	8,520
Other undesignated	596,526	-	-	596,526
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>665,622</u>	<u>101,553</u>	<u>36,772</u>	<u>803,947</u>
	<u>\$ 4,444,823</u>	<u>\$ 101,553</u>	<u>\$ 185,380</u>	<u>\$ 4,731,756</u>

See Accompanying Notes to Financial Statements

Portland Public Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2005

Total fund balances for governmental funds **\$ 803,947**

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Those assets consist of:

Land	\$ 77,000	
Buildings and additions	40,193,589	
Site improvements	1,830,850	
Equipment and furniture	6,083,709	
Buses and other vehicles	1,662,709	
Construction in progress	100,000	
Less: accumulated depreciation	<u>(12,285,037)</u>	37,662,820

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Current-term liabilities balances as of June 30, 2005 are as follows:

Accrued interest payable	(424,146)	
Bonds payable - current portion	(1,510,598)	
Contracts payable - current portion	<u>(112,523)</u>	(2,047,267)

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities balances as of June 30, 2005 are as follows:

Accrued compensated absences	(867,612)	
Bonds payable	(29,953,007)	
School bond loan	(3,409,103)	
Contracts payable	<u>(140,299)</u>	<u>(34,370,021)</u>

Net assets of governmental activities **\$ 2,049,479**

Portland Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2005

	General Fund	2001 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 929,690	\$ 1,617,172	\$ 1,076,252	\$ 3,623,114
State sources	13,575,313	-	21,278	13,596,591
Federal sources	380,024	-	141,839	521,863
Interdistrict sources	599,049	-	-	599,049
Total revenues	15,484,076	1,617,172	1,239,369	18,340,617
Expenditures				
Current				
Education				
Instruction	9,033,520	-	-	9,033,520
Supporting services	5,400,785	-	-	5,400,785
Food services	-	-	551,160	551,160
Athletics	-	-	485,001	485,001
Community services	-	-	107,228	107,228
Intergovernmental payments	342,842	-	-	342,842
Capital outlay	139,555	-	78,095	217,650
Capital projects	-	-	10,125	10,125
Debt service	147,192	1,976,375	1,022,829	3,146,396
Total expenditures	15,063,894	1,976,375	2,254,438	19,294,707
Excess (deficiency) of revenues over expenditures	420,182	(359,203)	(1,015,069)	(954,090)
Other financing sources (uses)				
Loan proceeds	109,555	479,617	418,624	1,007,796
Transfers in	40,050	-	571,506	611,556
Transfers out	(391,506)	(180,000)	(40,050)	(611,556)
Total other financing sources and uses	(241,901)	299,617	950,080	1,007,796
Net change in fund balance	178,281	(59,586)	(64,989)	53,706
Fund balance - beginning	487,341	161,139	101,761	750,241
Fund balance - ending	\$ 665,622	\$ 101,553	\$ 36,772	\$ 803,947

See Accompanying Notes to Financial Statements

Portland Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2005

Net change in fund balances - total governmental funds		\$ 53,706
Total change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	\$ (1,466,709)	
Capitalized - capital outlay	<u>226,214</u>	(1,240,495)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Debt issued	(1,007,796)	
Proceeds of refunding bond	(7,741,785)	
Payment to refunded bond escrow agent	7,661,970	
Repayments of long-term debt	<u>1,572,216</u>	484,605
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences payable	(60,030)	
Change in refunding issuance cost	79,815	
Change in accrued interest on bonds	<u>(59,289)</u>	<u>(39,504)</u>
Change in net assets of governmental activities		\$ <u>(741,688)</u>

Portland Public Schools
Statement of Fiduciary Assets and Liabilities
June 30, 2005

	<u>Agency Funds</u>
Assets	
Cash	\$ <u>145,333</u>
Liabilities	
Due to student activities	\$ <u>145,333</u>

Portland Public Schools
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Portland Public School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three

parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both

Portland Public Schools
Notes to Financial Statements
June 30, 2005

measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2001 Debt Service Fund – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and

Athletic Funds. The annual operating surplus or deficit generated by these activities is generally transferred to or from the General Fund.

1997 and 2002 Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs.

Fiduciary Funds – Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Deposits – Cash and cash equivalents include cash on hand, demand deposits and short term investments with a maturity of three months or less when acquired.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other trades receivable are shown net of an allowance for uncollectible amounts.

Portland Public Schools
Notes to Financial Statements
June 30, 2005

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2005, the General Fund rate was 18.0000 per \$1,000 of non-homestead assessed value and the Debt Fund rate was 7.350 per \$1,000 of both homestead and non-homestead assessed value.

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 87% of the School District's tax roll lies within the City of Portland and the Townships of Danby and Portland.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before July 31. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the Counties of Ionia and Clinton and are remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment,

and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Compensated Absences

Sick days are earned by most employees at the rate of eleven days per year. Retiring employees who meet certain age and years of service requirements are paid for accumulated sick days to a maximum of 120 days. This liability is measured using the Termination Method. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year. Vacation days may only be used for vacation purposes. There is no contractual provision for payment of unused vacation days.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the School District's financial statements.

Portland Public Schools
Notes to Financial Statements
June 30, 2005

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Economic Dependency

The School District received approximately 86% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source, the School District is considered to be economically dependent on the Michigan Department of Education.

Concentrations

Approximately 99% of the School District's employees work under collective bargaining agreements. Unions whose existing agreements will expire in fiscal year 2005-06 represent approximately 58% of these employees.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

Portland Public Schools
Notes to Financial Statements
June 30, 2005

Excess of Expenditures over Appropriations

During the year ended June 30, 2005, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Total Budget	Amount of Expenditures	Budget Variances
General Fund			
Instruction			
Basic	\$ 7,236,744	\$ 7,270,993	\$ 34,249
Adult continuing education	174,680	176,948	2,268
Supporting Services			
Pupil services	578,528	579,907	1,379
Pupil transportation	1,028,488	1,056,613	28,125
Special Revenue Funds			
Community service	119,500	128,781	9,281
Athletics	473,910	485,001	11,091
Food service	521,678	577,540	55,862

Compliance Bond Proceeds

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the 2001 Capital Project Funds from the inception of the funds through the current fiscal year:

	<u>2001</u>
Revenues	\$ 28,931,544
Expenditures	28,813,794

NOTE 3 - DEPOSITS AND INVESTMENTS

Credit risk - State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The District has no investment policy that would further limit its investment choices. As of June 30, 2005, the District had no investments.

Concentration of credit risk - The District had no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$2,258,722 of the District's bank balance of \$2,482,505 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Portland Public Schools
Notes to Financial Statements
June 30, 2005

At June 30, 2005, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and cash equivalents	\$ 1,888,512	\$ 145,333	\$ 2,033,845

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 2,032,690
Petty cash and cash on hand	<u>1,155</u>
Total	<u>\$ 2,033,845</u>

NOTE 4 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Assets not being depreciated				
Land	\$ 77,000	\$ -	\$ -	\$ 77,000
Construction in progress	675,484	-	(575,484)	100,000
Other capital assets				
Site improvements	1,830,850	-	-	1,830,850
Buildings and improvements	39,550,359	643,230	-	40,193,589
Buses and other vehicles	1,625,952	139,555	(102,798)	1,662,709
Furniture and equipment	<u>6,064,796</u>	<u>18,913</u>	<u>-</u>	<u>6,083,709</u>
Subtotal	<u>49,824,441</u>	<u>801,698</u>	<u>(678,282)</u>	<u>49,947,857</u>
Accumulated depreciation				
Site improvements	697,741	69,852	-	767,593
Buildings and improvements	6,003,159	800,813	-	6,803,972
Buses and other vehicles	1,032,009	120,031	(102,798)	1,049,242
Furniture and equipment	<u>3,188,217</u>	<u>476,013</u>	<u>-</u>	<u>3,664,230</u>
Subtotal	<u>10,921,126</u>	<u>1,466,709</u>	<u>(102,798)</u>	<u>12,285,037</u>
Net capital assets	<u>\$ 38,903,315</u>	<u>\$ (665,011)</u>	<u>\$ (575,484)</u>	<u>\$ 37,662,820</u>

Depreciation for the fiscal year ended June 30, 2005, amounted to \$1,466,709. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

Portland Public Schools
Notes to Financial Statements
June 30, 2005

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS

Individual interfund receivable and payable balances at June 30, 2005, were:

Fund	Receivable	Payable	Purpose
General Fund	\$ 7,863	\$ 24,519	Reimbursement of District expenditures paid by other funds, transfer of monies to the public improvement fund and pooling of cash for investment purposes.
Athletics Fund	23,927	-	Reimbursement of District expenditures paid by other funds
Capital Projects	-	2,532	Reimbursement of District expenditures paid by other funds
Food Service	-	5,331	Reimbursement of District expenditures paid by other funds
Community Service	592	-	Reimbursement of District expenditures paid by other funds
	<u>\$ 32,382</u>	<u>\$ 32,382</u>	

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out	Transfers In
General Fund	\$ 391,506	\$ 40,050
Athletic Fund	-	391,506
Community Service Fund	21,553	-
Food Service fund	18,497	-
2001 Debt Service Fund	180,000	-
2002 Debt Service Fund	-	180,000
Total	<u>\$ 611,556</u>	<u>\$ 611,556</u>

These transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities.

NOTE 6 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unearned
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 154,222</u>
Total	<u>\$ 154,222</u>

Portland Public Schools
Notes to Financial Statements
June 30, 2005

NOTE 7 - STATE AID ANTICIPATION NOTE

The District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 2,000,000	\$ 2,250,000	\$ 2,000,000	\$ 2,250,000

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 32,765,000	\$ 7,440,000	\$ 8,420,000	\$ 31,785,000	\$ 1,515,000
Contracts payable	250,483	109,550	107,216	252,817	112,523
School Bond Loan Fund	2,510,862	898,241	-	3,409,103	-
Durant Bond	163,605	-	-	163,605	12,395
Compensated absences	807,582	60,030	-	867,612	-
Unamortized premium	-	301,785	-	301,785	-
Unamortized deferred amount on refunding and bond issuance costs	-	(786,785)	-	(786,785)	-
Total	\$ 36,497,532	\$ 8,022,821	\$ 8,527,216	\$ 35,993,137	\$ 1,639,918

NOTE 8 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

General obligation bonds payable at June 30, 2005, consists of the following:

\$7,440,000 refunding bonds due in annual installments of \$45,000 to \$1,215,000 through May 1, 2019, interest at 3.00% to 5.00%	\$ 7,440,000
\$6,700,000 building and site bond due in annual installments of \$615,000 through May 1, 2013, interest at 3.50% to 5.00%	4,920,000
\$27,945,000 building and site bond due in annual installments of \$120,000 to \$1,225,000 through May 1, 2029, interest at 4.00% to 5.50%	18,210,000
\$1,865,000 building and site bond due in annual installments of \$115,000 to \$120,000 through May 1, 2015, interest at 4.55% to 5.15%	1,170,000
\$330,000 energy conservation improvement bond due in annual installments of \$45,000 through May 1, 2006, interest at 5.75%	45,000
Total general obligation bonded debt	\$ 31,785,000

Portland Public Schools
Notes to Financial Statements
June 30, 2005

Future principal and interest requirements for bonded debt is as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 1,515,000	\$ 1,421,800	\$ 2,936,800
2007	1,470,000	1,410,932	2,880,932
2008	1,470,000	1,351,892	2,821,892
2009	1,470,000	1,291,146	2,761,146
2010	1,470,000	1,228,746	2,698,746
2011-2015	7,280,000	5,125,118	12,405,118
2016-2020	6,085,000	3,554,575	9,639,575
2021-2025	6,125,000	2,143,750	8,268,750
2026-2029	<u>4,900,000</u>	<u>612,500</u>	<u>5,512,500</u>
	<u>\$ 31,785,000</u>	<u>\$ 18,140,459</u>	<u>\$ 49,925,459</u>

The general obligation bonds are payable from the Debt Service Funds. As of June 30, 2005, the fund had a balance of \$129,805 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$256,087 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest at 4.76% due annually \$ 163,605

These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature

fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

	Principal	Interest	Total
2006	\$ 12,395	\$ 5,588	\$ 17,983
2007	12,983	4,997	17,980
2008	13,604	4,380	17,984
2009	60,502	24,362	84,864
2010	14,930	3,053	17,983
2011-2013	<u>49,191</u>	<u>4,756</u>	<u>53,947</u>
	<u>\$ 163,605</u>	<u>\$ 47,136</u>	<u>\$ 210,741</u>

Energy Conservation Improvement Bonds

The 1996 Energy Conservation Improvement Bonds are due May 1, 2006. The bonds are issued under the Qualified Zone Academy Bond program. Interest is eliminated through a tax credit.

State School Bond Loan

The state school bond loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District borrowed \$ 898,241 and had an outstanding balance of \$ 2,510,862, from the State School Bond Loan Fund. The School District has

Portland Public Schools
Notes to Financial Statements
June 30, 2005

agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences

Accrued compensated absences at June 30, 2005, consists of \$ 3,533 of vacation hours earned and vested and \$ 864,079 in accrued sick time benefits.

Contracts

Contracts payable at June 30, 2005 consists of the following:

\$191,321 bus contracts due in annual installments of \$24,157 through October 23, 2005, interest at 4.99%	\$ 24,157
\$255,000 bus garage contract due in annual installments of \$35,000 through May 1, 2006, interest at 5.85%	35,000
\$110,907 bus contract due in annual installments of \$27,239 to \$28,842 through July 15, 2007, interest at 2.90%	84,110
\$109,550 bus contract due in annual installments of \$26,127 to \$28,674 through July 21, 2008, interest at 3.10%	<u>109,550</u>
Total contracts payable	<u>\$ 252,817</u>

Future principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 112,523	\$ 8,119	\$ 120,642
2007	54,979	4,277	59,256
2008	56,641	2,615	59,256
2009	<u>28,674</u>	<u>903</u>	<u>29,577</u>
	<u>\$ 252,817</u>	<u>\$ 15,914</u>	<u>\$ 268,731</u>

Advance Refunding

On June 24, 2005, the School District issued general obligation bonds of \$ 7,440,000 (par value) with an interest rate of 3.000% to 5.000% to advance refund term bonds with an interest rate of 5.500% and a par value of \$ 6,955,000. The term bonds mature on May 1, 2019. The general obligation bonds were issued at a premium and after paying issuance costs of \$ 79,815, the net proceeds were \$ 7,741,785. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments until the term bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the School District's financial statements.

As a result of the advance refunding, the School District reduced its total debt service requirements by \$ 11,390,750, which resulted in an economic gain of \$ 302,825.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$ 385,666. This amount, together with the issuance costs, is reported in the accompanying statement of net assets as a reduction of bonds payable and is being charged to activities through fiscal year 2019.

Portland Public Schools
Notes to Financial Statements
June 30, 2005

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. The School District had \$7,222 of unemployment compensation expense for the year ended June 30, 2005.

The School District participates in a public entity risk pool through the School Employers Group for general liability, property and casualty claims. With the exception of unemployment described above, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements for the year ended June 30, 2005.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of

Michigan's Public School Employees Retirement System (MPERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to:

Office of Retirement Services
P.O. Box 30171
Lansing, Michigan 48909-7671
800-381-5111

Funding Policy

The School is required by State statute to contribute to MPERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPERS funding for the three-year period beginning July 1, 2002 through June 30, 2005.

Portland Public Schools
Notes to Financial Statements
June 30, 2005

	<u>Year Ended June 30.</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Funding Percentage Range	12.99%-14.87%	12.99%	12.17%-12.99%
Total school, payroll	\$ 8,980,116	\$ 8,283,173	\$ 8,466,884
Total covered payroll	8,925,012	7,788,139	8,103,231
School contributions	1,294,590	1,075,985	1,108,885
Employee MIP contributions	272,319	252,861	255,591
Tax deferred payment program			
Portion of school contribution covering health, dental and vision benefits	44%	47%	46%

Trend Information

Ten-year historical trend information is presented in the September 30, 2004, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2003, the latest date for which information is available, approximates \$ 44.8 billion and \$ 38.7 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2004.

Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2004, statewide expenditures of \$ 666 million were recognized for post-retirement health care, dental and vision. This represented

approximately 22% of the total expenditures of the Michigan Public School Employees Retirement System.

NOTE 11 - DEFERRED COMPENSATION PLAN

On December 11, 1979, the School District established a deferred compensation plan for its employees, under Section 457 of the Internal Revenue Code. A local credit union was selected as the third party administrator of the plan. On March 8, 1983 the plan was terminated and future employee contributions were disallowed. Interest will continue to accrue on the balances which existed at that point, until the funds are withdrawn upon an employee's separation from service, occurrence of an unforeseeable emergency, or the death of an employee.

NOTE 12 - FUND EQUITY

Specific reservations on fund equity include:

Reserved for debt service – This reserve was created to segregate a portion of the fund balance account for debt retirement, including both principal payments and interest payments. The reservation was established to satisfy legal restrictions imposed by various bond agreements.

Reserved for capital projects – This reserve was created to indicate that the portion of fund balance represented by capital improvements is not available for appropriation and expenditure.

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

Portland Public Schools
Notes to Financial Statements
June 30, 2005

NOTE 13 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year ended June 30, 2005.

NOTE 14 - SUBSEQUENT EVENT

Subsequent to June 30, 2005, the School District has paid the balance of the \$2,250,000 and accrued interest on the short-term state aid anticipation note borrowed in August of 2004 and has subsequently borrowed \$2,110,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority. Proceeds from the borrowing will be distributed to the School District in August of 2005.

On July 26, 2005 the Board of Education passed a resolution authorizing the School District to borrow \$105,000 to purchase two new buses. The loan is payable in annual installments of \$ 24,895 to \$ 27,640 through August 15, 2009, with interest of 3.50%.

Portland Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Local	\$ 956,880	\$ 919,307	\$ 929,690	\$ 10,383
State	13,580,647	13,576,061	13,575,313	(748)
Federal	330,907	406,660	380,024	(26,636)
Interdistrict	577,158	675,948	599,049	(76,899)
Total revenues	15,445,592	15,577,975	15,484,076	(93,899)
Other financing sources	112,000	136,346	149,605	13,259
Total revenues and other sources	15,557,592	15,714,321	15,633,681	(80,640)
Expenditures				
Instruction				
Basic programs	7,290,783	7,236,744	7,270,993	34,249
Added needs	1,708,959	1,604,839	1,585,579	(19,260)
Adult and continuing education	145,165	174,680	176,948	2,268
Supporting services				
Pupil	554,978	578,528	579,907	1,379
Instructional staff	647,736	725,911	704,256	(21,655)
General administration	454,653	278,754	275,568	(3,186)
School administration	966,697	1,128,792	1,115,303	(13,489)
Business	311,014	296,749	289,936	(6,813)
Operations and maintenance	1,435,157	1,413,072	1,379,202	(33,870)
Pupil transportation	1,273,958	1,028,488	1,056,613	28,125
Capital outlay	50,000	189,555	139,555	(50,000)
Intergovernmental payments	355,000	349,842	342,842	(7,000)
Debt service	147,216	147,215	147,192	(23)
Total expenditures	15,341,316	15,153,169	15,063,894	(89,275)
Other financing uses	426,293	430,160	391,506	(38,654)
Total expenditures and other uses	15,767,609	15,583,329	15,455,400	(127,929)
Net change in fund balance	(210,017)	130,993	178,281	47,289
Fund balance - beginning	487,341	487,341	487,341	-
Fund balance - ending	\$ 277,324	\$ 618,334	\$ 665,622	\$ 47,289

Portland Public Schools
Other Supplemental Information
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2005

	Nonmajor Special Revenue Funds			Nonmajor	Nonmajor	Total
	Community Services	Athletics	Food Service	Capital Projects Fund	Debt Funds	Nonmajor Governmental Funds
Assets						
Cash	\$ -	\$ -	\$ -	\$ 107,453	\$ 26,604	\$ 134,057
Accounts receivable	4,132	-	2,565	3,600	-	10,297
Due from other funds	592	23,927	-	-	-	24,519
Due from other governmental units	-	-	3,458	-	1,898	5,356
Prepaid expenditures	258	1,404	1,763	-	-	3,425
Inventory	-	-	7,726	-	-	7,726
Total assets	\$ 4,982	\$ 25,331	\$ 15,512	\$ 111,053	\$ 28,502	\$ 185,380
Liabilities and Fund Balance						
Liabilities						
Accounts payable	\$ -	\$ 21,573	\$ 9,160	\$ -	\$ 250	30,983
Retainage payable	-	-	-	100,000	-	100,000
Due to other funds	-	-	5,331	2,533	-	7,864
Salaries payable	4,066	2,956	833	-	-	7,855
Accrued FICA and retirement	916	802	188	-	-	1,906
Total liabilities	4,982	25,331	15,512	102,533	250	148,608
Fund Balance						
Reserved for debt service	-	-	-	-	28,252	28,252
Reserved for capital projects	-	-	-	8,520	-	8,520
Undesignated	-	-	-	-	-	-
Total fund balance	-	-	-	8,520	28,252	36,772
Total liabilities and fund balance	\$ 4,982	\$ 25,331	\$ 15,512	\$ 111,053	\$ 28,502	\$ 185,380

Portland Public Schools
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balance -
Nonmajor Governmental Funds
Year Ended June 30, 2005

	Nonmajor Special Revenue Funds			Nonmajor	Nonmajor	Total
	Community Services	Athletics	Food Service	Capital Projects Fund	Debt Funds	Nonmajor Governmental Funds
Revenues						
Local	\$ 128,781	\$ 93,495	\$ 414,423	\$ 7,311	\$ 432,242	\$ 1,076,252
State	-	-	21,278	-	-	21,278
Federal	-	-	141,839	-	-	141,839
Total revenues	<u>128,781</u>	<u>93,495</u>	<u>577,540</u>	<u>7,311</u>	<u>432,242</u>	<u>1,239,369</u>
Other Financing Sources						
Loan proceeds	-	-	-	-	418,624	418,624
Transfers from general fund	-	391,506	-	-	180,000	571,506
Total other financing sources	<u>-</u>	<u>391,506</u>	<u>-</u>	<u>-</u>	<u>598,624</u>	<u>990,130</u>
Total revenues and other sources	<u>128,781</u>	<u>485,001</u>	<u>577,540</u>	<u>7,311</u>	<u>1,030,866</u>	<u>2,229,499</u>
Expenditures						
Food services	-	-	551,160	-	-	551,160
Athletics	-	485,001	-	-	-	485,001
Community services	107,228	-	-	-	-	107,228
Debt service	-	-	-	-	1,022,829	1,022,829
Capital projects	-	-	-	10,125	-	10,125
Capital outlay	-	-	7,883	70,212	-	78,095
Total expenditures	<u>107,228</u>	<u>485,001</u>	<u>559,043</u>	<u>80,337</u>	<u>1,022,829</u>	<u>2,254,438</u>
Other Financing Uses						
Transfers to general fund	21,553	-	18,497	-	-	40,050
Total other financing uses	<u>21,553</u>	<u>-</u>	<u>18,497</u>	<u>-</u>	<u>-</u>	<u>40,050</u>
Total expenditures and other financing uses	<u>128,781</u>	<u>485,001</u>	<u>577,540</u>	<u>80,337</u>	<u>1,022,829</u>	<u>2,294,488</u>
Net change in fund balance	-	-	-	(73,026)	8,037	(64,989)
Fund balance - beginning	-	-	-	81,546	20,215	101,761
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,520</u>	<u>\$ 28,252</u>	<u>\$ 36,772</u>

Portland Public Schools
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Cash	\$ 1,660,004	\$ 1,538,769
Accounts receivable	59,014	40,550
Due from other funds	7,863	-
Due from other governmental units	2,648,846	2,355,389
Prepaid expenditures	<u>69,096</u>	<u>60,669</u>
Total Assets	<u><u>\$ 4,444,823</u></u>	<u><u>\$ 3,995,377</u></u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 219,691	\$ 171,015
Note payable	2,250,000	2,000,000
Due to other funds	24,518	84,130
Due to other governmental units	26,602	26,602
Salaries payable	866,957	861,007
Accrued expenses	49,067	48,076
Accrued FICA and retirement	188,144	176,364
Deferred revenue	<u>154,222</u>	<u>140,842</u>
Total liabilities	<u>3,779,201</u>	<u>3,508,036</u>
Fund Balance		
Reserved for prepaid expenditures	69,096	60,669
Unreserved	<u>596,526</u>	<u>426,672</u>
Total fund balance	<u>665,622</u>	<u>487,341</u>
Total Liabilities and Fund Balance	<u><u>\$ 4,444,823</u></u>	<u><u>\$ 3,995,377</u></u>

Portland Public Schools
Other Supplemental Information
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2005 with Comparative Totals for June 30, 2004

	2005			2004
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue From Local Sources				
Property tax levy	\$ 831,307	\$ 831,739	\$ 432	\$ 756,581
Transportation fees	13,500	17,212	3,712	15,588
Earnings from investments	21,000	21,189	189	4,422
Rental of school property	4,000	4,009	9	5,308
Other local revenue	49,500	55,541	6,041	170,852
Total revenue from local sources	919,307	929,690	10,383	952,751
Revenue From State Sources				
Grants - unrestricted				
State school aid	12,632,481	12,630,842	(1,639)	12,408,015
Grants - restricted				
At risk	131,984	131,975	(9)	89,134
Early childhood	119,805	119,805	-	36,300
Special education	682,431	682,432	-	740,120
Drivers education	-	-	-	18,276
Adult education	9,360	10,259	899	12,101
Total revenue from state sources	13,576,061	13,575,313	(748)	13,303,946
Revenue From Federal Sources				
Grants - restricted - received through state				
Title I	189,786	164,545	(25,241)	193,837
Title V	2,457	1,192	(1,265)	907
Improving teaching quality/Title II	124,826	123,121	(1,705)	79,183
Connected math	86,591	86,418	(173)	-
Other	3,000	4,748	1,748	4,163
Total revenues from federal sources	406,660	380,024	(28,211)	278,090

Portland Public Schools
Other Supplemental Information
General Fund
Statement of Revenues Compared to Budget
For the Year Ended June 30, 2005 with Comparative Totals for June 30, 2004

	2005		2004
	Final Budget	Actual	Over (Under) Budget
			Actual
Received From Intermediate Sources			
Special education	675,948	599,049	(76,899)
Other	-	-	21,945
Total intermediate sources	675,948	599,049	(76,899)
Other Financing Sources			
Loan proceeds	109,555	109,555	-
Transfers from other funds	26,791	40,050	13,259
Total other financing sources	136,346	149,605	13,259
Total Revenues and Other Financing Sources	<u>\$ 15,714,321</u>	<u>\$ 15,633,681</u>	<u>\$ (82,216)</u>
			<u>\$ 15,198,773</u>

Portland Public Schools
Other Supplemental Information
General Fund
Statement of Expenditures Compared to Budget
Year Ended June 30, 2005 with Comparative Totals for June 30, 2004

	2005		Over (Under)	2004
	Final Budget	Actual	Budget	Total
Instruction				
Basic programs				
Elementary				
Salaries	\$ 2,323,518	\$ 2,324,976	\$ 1,458	\$ 2,246,619
Employee benefits	1,067,836	1,077,317	9,481	1,048,538
Purchased services	2,600	1,036	(1,564)	4,302
Supplies	44,580	42,531	(2,049)	46,120
Other	6,200	3,607	(2,593)	3,306
Total elementary	3,444,733	3,449,467	4,734	3,348,885
Middle school				
Salaries	1,194,852	1,185,118	(9,734)	1,098,995
Employee benefits	559,839	601,737	41,898	498,548
Purchased services	900	274	(626)	1,012
Supplies	26,625	25,506	(1,119)	44,827
Other	750	565	(185)	1,815
Total middle school	1,782,965	1,813,200	30,235	1,645,197
High school				
Salaries	1,338,322	1,340,956	2,634	1,307,619
Employee benefits	614,274	613,249	(1,025)	593,107
Purchased services	25,950	24,097	(1,853)	22,696
Supplies	28,000	27,553	(447)	27,965
Other	2,500	2,471	(29)	3,074
Total high school	2,009,046	2,008,326	(720)	1,954,461

Portland Public Schools
Other Supplemental Information
General Fund
Statement of Expenditures Compared to Budget
Year Ended June 30, 2005 with Comparative Totals for June 30, 2004

	2005		Over (Under)	2004
	Final Budget	Actual	Budget	Total
Added needs				
Special education				
Salaries	\$ 898,501	\$ 892,712	\$ (5,789)	\$ 902,031
Employee benefits	396,557	403,710	7,153	389,004
Purchased services	1,350	698	(652)	613
Supplies	2,000	886	(1,114)	6,918
Other	3,000	1,572	(1,428)	-
Total special education	<u>1,301,407</u>	<u>1,299,578</u>	<u>(1,829)</u>	<u>1,298,566</u>
Compensatory education				
Salaries	137,405	138,010	605	124,084
Employee benefits	49,128	48,517	(611)	43,816
Purchased services	4,500	1,016	(3,484)	7,342
Supplies	16,367	2,825	(13,542)	10,015
Other	1,000	502	(498)	249
Total compensatory education	<u>208,400</u>	<u>190,870</u>	<u>(17,530)</u>	<u>185,506</u>
Vocational education				
Salaries	66,610	66,685	75	65,654
Employee benefits	28,422	28,446	24	26,202
Purchased services	-	-	-	300
Total vocational education	<u>95,032</u>	<u>95,131</u>	<u>99</u>	<u>92,156</u>

Portland Public Schools
Other Supplemental Information
General Fund
Statement of Expenditures Compared to Budget
Year Ended June 30, 2005 with Comparative Totals for June 30, 2004

	2005			2004
	Final Budget	Actual	Over (Under) Budget	Total
Adult continuing education				
Adult education - secondary				
Salaries	\$ 136,200	\$ 138,058	\$ 1,858	\$ 122,514
Employee benefits	30,475	31,115	640	25,283
Purchased services	-	-	-	636
Supplies	7,505	7,315	(190)	7,426
Other	500	460	(40)	1,391
Total adult education - secondary	174,680	176,948	2,268	157,250
Total Instruction	9,016,263	9,033,520	17,257	8,682,021
Supporting Services				
Pupil services				
Speech pathology				
Salaries	129,468	129,497	29	128,532
Employee benefits	55,437	53,957	(1,480)	53,290
Purchased services	-	180	180	-
Supplies	1,000	981	(19)	622
Total speech pathology	185,905	184,615	(1,290)	182,444
Guidance services				
Salaries	218,257	219,867	1,610	215,407
Employee benefits	103,109	102,841	(268)	97,936
Purchased services	33,800	33,086	(714)	32,109
Other	530	532	2	-
Total guidance services	355,697	356,326	629	345,452

Portland Public Schools
Other Supplemental Information
General Fund
Statement of Expenditures Compared to Budget
Year Ended June 30, 2005 with Comparative Totals for June 30, 2004

	2005		2004
	Final Budget	Actual	Over (Under) Budget Total
Teacher consultant			
Salaries	\$ 24,363	\$ 24,363	\$ -
Employee benefits	12,564	14,603	2,039
Total teacher consultant	36,927	38,966	2,039
Instructional staff services			
Improvement of instruction			
Salaries	5,403	7,168	1,765
Employee benefits	1,210	1,626	416
Purchased services	29,286	18,336	(10,950)
Supplies	28,325	25,623	(2,702)
Other	5,335	7,264	1,929
Total improvement of instruction	69,559	60,017	(9,542)
Library			
Salaries	95,115	96,405	1,290
Employee benefits	79,955	76,152	(3,803)
Purchased services	4,600	3,432	(1,168)
Supplies	7,365	7,803	438
Total library	187,034	183,792	(3,242)
Other instructional staff services			
Salaries	103,112	100,546	(2,566)
Employee benefits	59,407	59,760	353
Purchased services	196,800	189,805	(6,995)
Supplies	22,500	19,591	(2,909)
Other	87,500	90,745	3,245
Total other instructional staff services	469,318	460,447	(8,871)

Portland Public Schools
Other Supplemental Information
General Fund
Statement of Expenditures Compared to Budget
Year Ended June 30, 2005 with Comparative Totals for June 30, 2004


	2005		2004
	Final Budget	Actual	Over (Under) Budget Total
General administrative services			
Board of education			
Purchased services	\$ 49,450	\$ 45,436	\$ (4,014)
Other	6,750	6,637	(113)
Total board of education	56,200	52,073	(4,127)
Executive administration			
Salaries	135,118	135,986	868
Employee benefits	83,436	83,832	396
Purchased services	2,000	1,944	(56)
Other	2,000	1,733	(267)
Total executive administration	222,554	223,495	941
School administrative services			
Principal			
Salaries	603,047	592,352	(10,695)
Employee benefits	317,673	314,464	(3,209)
Purchased services	4,242	3,063	(1,179)
Supplies	5,500	5,183	(317)
Other	6,000	4,620	(1,380)
Total principal	936,461	919,682	(16,779)

Portland Public Schools
Other Supplemental Information
General Fund
Statement of Expenditures Compared to Budget
Year Ended June 30, 2005 with Comparative Totals for June 30, 2004

	2005			2004
	Final Budget	Actual	Over (Under) Budget	Total
Other school administration				
Salaries	\$ 103,023	\$ 107,633	\$ 4,610	\$ 104,986
Employee benefits	79,908	80,672	764	73,035
Purchased services	6,900	4,832	(2,068)	5,525
Supplies	1,000	1,215	215	2,261
Other	1,500	1,269	(231)	1,690
Total other school administration	192,331	195,621	3,290	187,497
Business services				
Fiscal services				
Salaries	120,877	121,825	948	122,714
Employee benefits	69,291	69,927	636	63,013
Purchased services	33,600	29,772	(3,828)	34,244
Supplies	3,500	3,543	43	2,145
Other	1,250	438	(812)	4,603
Total fiscal services	228,519	225,505	(3,014)	226,719
Other fiscal services				
Other	68,230	64,431	(3,799)	56,013
Operations and maintenance				
Salaries	249,198	255,188	5,990	276,885
Employee benefits	159,516	157,143	(2,373)	154,100
Purchased services	468,590	450,092	(18,498)	443,990
Supplies	533,153	514,404	(18,749)	452,435
Other	2,615	2,375	(240)	2,343
Total operations and maintenance	1,413,072	1,379,202	(33,870)	1,329,753

Portland Public Schools
Other Supplemental Information
General Fund
Statement of Expenditures Compared to Budget
Year Ended June 30, 2005 with Comparative Totals for June 30, 2004

	2005			2004
	Final Budget	Actual	Over (Under) Budget	Total
Pupil transportation				
Salaries	\$ 544,342	\$ 562,373	\$ 18,031	\$ 547,454
Employee benefits	265,176	269,315	4,139	243,002
Purchased services	18,450	17,163	(1,287)	18,007
Supplies	195,720	203,493	7,773	175,215
Other	4,800	4,269	(531)	4,983
Total pupil transportation	1,028,488	1,056,613	28,125	988,661
Total Support Services	5,450,294	5,400,785	(49,509)	5,197,440
Capital Outlay				
Basic instruction	-	-	-	47,099
Instructional staff services	-	-	-	26,567
Pupil transportation	189,555	139,555	(50,000)	140,907
Total Capital Outlay	189,555	139,555	(50,000)	214,573
Intergovernmental payments	349,842	342,842	(7,000)	320,048
Debt Service	147,215	147,192	(23)	155,792
Other Financing Uses				
Transfer to School Service Fund	430,160	391,506	(38,654)	390,421
Total Other Financing Uses	430,160	391,506	(38,654)	390,421
Total Expenditures and Other Financing Uses	<u>\$ 15,583,329</u>	<u>\$ 15,455,400</u>	<u>\$ (127,929)</u>	<u>\$ 14,960,295</u>

 **YEO & YEO**

**Portland Public Schools
Special Revenue Funds
Combining Balance Sheet
June 30, 2005 with Comparative Totals for 2004**

	2005				2004
	Community Service	Athletics	Food Service	Total	Total
Assets					
Accounts receivable	\$ 4,132	\$ -	\$ 2,565	\$ 6,697	\$ 1,997
Due from other funds	592	23,927	-	24,519	4,868
Due from other governmental units	-	-	3,458	3,458	3,359
Prepaid expenditures	258	1,404	1,763	3,425	-
Inventory	-	-	7,726	7,726	7,223
Total Assets	<u>\$ 4,982</u>	<u>\$ 25,331</u>	<u>\$ 15,512</u>	<u>\$ 45,825</u>	<u>\$ 17,447</u>
Liabilities and Fund Balance					
Accounts payable	\$ -	\$ 21,573	\$ 9,160	\$ 30,733	\$ 9,769
Due to other funds	-	-	5,331	5,331	2,810
Salaries payable	4,066	2,956	833	7,855	4,035
Accrued FICA and retirement	916	802	188	1,906	833
Total Liabilities	<u>4,982</u>	<u>25,331</u>	<u>15,512</u>	<u>45,825</u>	<u>17,447</u>
Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 4,982</u>	<u>\$ 25,331</u>	<u>\$ 15,512</u>	<u>\$ 45,825</u>	<u>\$ 17,447</u>

Portland Public Schools
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Year Ended June 30, 2005 with Comparative Totals for June 30, 2004

	2005				2004
	Community Services	Athletics	Food Service	Total	Total
Revenues					
Lunches	\$ -	\$ -	\$ 411,382	\$ 411,382	\$ 394,599
Ala carte	-	-	3,041	3,041	3,754
Tuition	128,781	-	-	128,781	112,996
Athletic receipts	-	93,495	-	93,495	80,639
State sources	-	-	21,278	21,278	23,304
Federal sources	-	-	97,407	97,407	81,916
Federal sources - entitlement commodities	-	-	40,760	40,760	34,348
Federal sources - bonus commodities	-	-	3,672	3,672	3,672
Total revenues	128,781	93,495	577,540	799,816	735,228
Other Financing Sources					
Transfers from general fund	-	391,506	-	391,506	390,421
Total revenues and other financing sources	128,781	485,001	577,540	1,191,322	1,125,649
Expenditures					
Salaries	78,780	285,075	124,814	488,669	480,778
Employee benefits	21,458	81,359	48,400	151,217	139,106
Purchased services	243	53,458	102,814	156,515	157,899
Supplies and other	6,747	65,109	275,132	346,988	314,448
Capital outlay	-	-	7,883	7,883	23,592
Total expenditures	107,228	485,001	559,043	1,151,272	1,115,823
Other Financing Uses					
Transfers to general fund	21,553	-	18,497	40,050	9,826
Total expenditures and other financing uses	128,781	485,001	577,540	1,191,322	1,125,649
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-	-
Fund Balance, July 1	-	-	-	-	-
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

Portland Public Schools
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2005

	Community Service		Athletics		Food Service		Totals	
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
Revenues								
Lunches	\$ -	\$ -	\$ -	\$ -	\$ 405,200	\$ 411,382	\$ 405,200	\$ 411,382
Ala carte	-	-	-	-	3,200	3,041	3,200	3,041
Tuition	120,000	128,781	-	-	-	-	120,000	128,781
Athletic receipts	-	-	88,600	93,495	-	-	88,600	93,495
State sources	-	-	-	-	21,278	21,278	21,278	21,278
Federal sources	-	-	-	-	92,000	97,407	92,000	97,407
Federal sources - entitlement commodities	-	-	-	-	-	40,760	-	40,760
Federal sources - bonus commodities	-	-	-	-	-	3,672	-	3,672
Total revenues	120,000	128,781	88,600	93,495	521,678	577,540	730,278	799,816
Other Financing Sources								
Transfers from general fund	-	-	430,160	391,506	-	-	430,160	391,506
Total revenues and other financing sources	120,000	128,781	518,760	485,001	521,678	577,540	1,160,439	1,191,322
Expenditures								
Salaries	71,696	78,780	275,997	285,075	126,862	124,814	474,555	488,669
Employee benefits	23,246	21,458	80,788	81,359	48,933	48,400	152,967	151,217
Purchased services	-	243	50,700	53,458	99,550	102,814	150,250	156,515
Supplies and other	5,400	6,747	66,425	65,109	230,800	275,132	302,625	346,988
Capital outlay	-	-	-	-	7,900	7,883	7,900	7,883
Total expenditures	100,341	107,228	473,910	485,001	514,045	559,043	1,088,297	1,151,272
Other Financing Uses								
Transfers to general fund	19,159	21,553	-	-	7,633	18,497	26,792	40,050
Total expenditures and other financing uses	119,500	128,781	473,910	485,001	521,678	577,540	1,115,089	1,191,322
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	500	-	44,850	-	-	-	45,350	-
Fund Balance, July 1	-	-	-	-	-	-	-	-
Fund Balance, June 30	\$ 500	\$ -	\$ 44,850	\$ -	\$ -	\$ -	\$ 45,350	\$ -

Portland Public Schools
Debt Service Funds
Combining Balance Sheet
June 30, 2005 with Comparative Totals for June 30, 2004

	2005				2004
	1997 Issue	2001 Issue	2002 Issue	Total	Total
Assets					
Cash	\$ 11,675	\$ 94,451	\$ 14,929	\$ 121,055	\$ 181,309
Due from other governmental units	674	7,102	1,224	9,000	-
Accounts receivable	-	-	-	-	45
Total Assets	\$ 12,349	\$ 101,553	\$ 16,153	\$ 130,055	\$ 181,354
Liabilities and Fund Balance					
Accounts payable	\$ -	\$ -	\$ 250	\$ 250	\$ -
Fund Balance	12,349	101,553	15,903	129,805	181,354
Total Liabilities and Fund Balance	\$ 12,349	\$ 101,553	\$ 16,153	\$ 130,055	\$ 181,354

Portland Public Schools
Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Year Ended June 30, 2005 with Comparative Totals for June 30, 2004

	2005				2004
	1997 Issue	2001 Issue	2002 Issue	Total	Total
Revenues					
Local sources					
Property tax levy	\$ 152,692	\$ 1,610,203	\$ 277,621	\$ 2,040,516	\$ 1,907,511
Penalties and delinquent taxes	-	217	-	217	855
Earnings on investments	943	6,752	986	8,681	1,754
Total revenues	153,635	1,617,172	278,607	2,049,414	1,910,120
Other Financing Sources					
Loan proceeds	28,538	479,617	390,086	898,241	1,221,802
Proceeds from refunding bonds	-	7,741,785	-	7,741,785	-
Transfers in	-	-	180,000	180,000	-
Total other financing sources	28,538	8,221,402	570,086	8,820,026	1,221,802
Total revenues and other financing sources	182,173	9,838,574	848,693	10,869,440	3,131,922
Expenditures					
Redemption of bonds	115,000	695,000	615,000	1,425,000	1,410,000
Interest on debt	61,960	1,281,125	230,318	1,573,403	1,617,371
Fees	300	250	251	801	1,363
Total expenditures	177,260	1,976,375	845,569	2,999,204	3,028,734
Other financing uses					
Payments to refund debt escrow agent	-	7,661,970	-	7,661,970	-
Refunding issuance costs	-	79,815	-	79,815	-
Transfers out	-	180,000	-	180,000	-
Total other financing uses	-	7,921,785	-	7,921,785	-
Total expenditures and other financing uses	177,260	9,898,160	845,569	10,920,989	3,028,734
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	4,913	(59,586)	3,124	(51,549)	103,188
Fund Balance, July 1	7,436	161,139	12,779	181,354	78,166
Fund Balance, June 30	\$ 12,349	\$ 101,553	\$ 15,903	\$ 129,805	\$ 181,354

**Portland Public Schools
Capital Projects Funds
Combining Balance Sheet
June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Assets		
Cash	\$ 107,453	\$ 1,279,059
Accounts receivable	3,600	3,600
Due from other funds	<u>-</u>	<u>82,072</u>
Total Assets	<u><u>\$ 111,053</u></u>	<u><u>\$ 1,364,731</u></u>
Liabilities and Fund Balance		
Accounts payable	\$ -	\$ 607,701
Retainage payable	100,000	675,484
Due to other funds	<u>2,533</u>	<u>-</u>
Total Liabilities	102,533	1,283,185
Fund Balance	<u>8,520</u>	<u>81,546</u>
Total Liabilities and Fund Balance	<u><u>\$ 111,053</u></u>	<u><u>\$ 1,364,731</u></u>

Portland Public Schools
Capital Projects Funds
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Local sources		
Investment income	\$ 7,311	\$ 51,361
Total revenues	<u>7,311</u>	<u>51,361</u>
Expenditures		
Purchased services	6,963	164,252
Other	3,162	13,528
Capital outlay	<u>70,212</u>	<u>10,917,105</u>
Total expenditures	<u>80,337</u>	<u>11,094,885</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses	(73,026)	(11,043,524)
Fund Balance - July 1	<u>81,546</u>	<u>11,125,070</u>
Fund Balance - June 30	<u><u>\$ 8,520</u></u>	<u><u>\$ 81,546</u></u>

Portland Public Schools
Agency Fund
Comparative Balance Sheet
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Cash	<u>\$ 145,333</u>	<u>\$ 121,931</u>
Liabilities		
Due to student groups	<u>\$ 145,333</u>	<u>\$ 121,931</u>

Portland Public Schools
Agency Fund
Statement of Changes in Amounts Due to Student Groups
Year Ended June 30, 2005

	Due to Student Groups July 1, 2004	Cash Receipts	Cash Disbursements	Due to Student Groups June 30, 2005
Student activities				
Westwood:				
Westwood activity	\$ 3,672	\$ 61,738	\$ 48,302	\$ 17,108
Oakwood:				
Oakwood activity	15,293	25,637	22,950	17,980
Middle school:				
Art fees	84	-	-	84
Band	284	2,611	2,376	519
Careers	215	1,430	1,339	306
Categorical room	4	-	-	4
C.H.I.P.	537	771	877	431
Computer club	18	-	-	18
Dowling dance	417	1,983	2,804	(404)
Drug abuse	564	-	-	564
Foods class	99	760	674	185
Home economics	221	-	49	172
Interest/miscellaneous	71	-	-	71
Internal Bldg. (Maint.)	20	330	334	16
Language arts	200	-	-	200
Library	230	3,573	3,367	436
Math tutoring	103	-	-	103
Math-MI State (Keusch)	116	-	-	116
Revolving - all others	385	2,271	2,144	512
Scholarships	2,491	894	390	2,995
Ski club	298	-	-	298
Slush fund - Roesler	134	-	-	134
Social studies	(1,479)	-	575	(2,054)
Social studies - 8th	1,896	3,514	198	5,212
Student council	7,854	9,722	7,487	10,089
	<u>33,727</u>	<u>115,234</u>	<u>93,866</u>	<u>55,095</u>
Total carried forward				

Portland Public Schools
Agency Fund
Statement of Changes in Amounts Due to Student Groups
Year Ended June 30, 2005

	Due to Student Groups July 1, 2004	Cash Receipts	Cash Disbursements	Due to Student Groups June 30, 2005
Total brought forward	\$ 33,727	\$ 115,234	\$ 93,866	\$ 55,095
Student vending	226	-	-	226
Tech ed (Wood shop)	466	685	823	328
Thanksgiving	16	-	-	16
Trip - 6th grade	1,035	22,233	21,921	1,347
Trio - 8th grade	2,285	24,610	24,699	2,196
Wharton	1,095	10,539	9,205	2,429
Wharton 6th	(394)	-	-	(394)
High school				
Advanced placement English	(906)	1,258	1,258	(906)
A.P. lab	240	1,258	1,258	240
Band	846	450	694	602
Broadcasting	1,725	-	-	1,725
Class of 1997	1,360	-	-	1,360
Class of 1998	257	-	-	257
Class of 2000	409	-	-	409
Class of 2002	310	-	-	310
Class of 2003	1,063	-	-	1,063
Class of 2004	787	-	-	787
Class of 2005	2,796	1,251	3,502	545
Class of 2006	3,082	9,533	7,987	4,628
Class of 2007	1,786	2,270	886	3,170
Class of 2008	-	2,900	1,437	1,463
Drama club	1,315	527	1,365	477
Europe 2002	2,696	-	488	2,208
Football Club	175	-	-	175
Football parents	6	-	-	6
Total carried forward	56,403	192,748	169,389	79,762

Portland Public Schools
Agency Fund
Statement of Changes in Amounts Due to Student Groups
Year Ended June 30, 2005

	Due to Student Groups July 1, 2004	Cash Receipts	Cash Disbursements	Due to Student Groups June 30, 2005
Total brought forward	\$ 56,403	\$ 192,748	\$ 169,389	\$ 79,762
French club	1,909	6,236	5,593	2,552
German	478	1,157	1,557	78
Hoffman	1,100	6,789	7,889	-
H.O.P.E.	524	-	-	524
Jazz dance	563	-	81	482
Key Club	968	939	271	1,636
Library copy	780	-	-	780
Miscellaneous	-	549	-	549
National Honor Society	612	1,753	781	1,584
Newspaper	725	4,678	4,362	1,041
PADD	-	1,000	1,000	-
Physics trip	44	250	313	(19)
Portfolio	11,022	4,160	3,012	12,170
Project graduation	3,436	6,763	5,875	4,324
Raider's Nest	4,971	8,386	7,769	5,588
Replace cost fund	217.00	459	-	676
Revolving	4,812	7,146	4,685	7,273
SADD	(10)	-	-	(10)
Spanish club	1,479	10,904	9,321	3,062
Student council	439	4,250	5,934	(1,245)
Student services	714	4,178	2,479	2,413
Tech ed	129	-	7	122
Yearbook	5,670	10,723	10,958	5,435
Total carried forward	96,985	273,068	241,276	128,777

Portland Public Schools
Agency Fund
Statement of Changes in Amounts Due to Student Groups
Year Ended June 30, 2005

	Due to Student Groups July 1, 2004	Cash Receipts	Cash Disbursements	Due to Student Groups June 30, 2005
Total brought forward	\$ 96,985	\$ 273,068	\$ 241,276	\$ 128,777
High School Athletics:				
Athletic Internal	2,951	22,348	21,891	3,408
Athletic Training	50	-	-	50
Baseball	2,060	10,167	9,709	2,518
Bowling	-	2,872	2,815	57
Boys Basketball	3	630	1,371	(738)
Boys Golf	619	122	-	741
Cheerleaders	(266)	3,955	4,883	(1,194)
Class of 2005	850	-	850	-
Cross Country	16	-	16	-
Cross Country Boys	1,262	1,188	875	1,575
Cross Country Girls	726	1,947	1,605	1,068
Football Club	533	12,571	15,585	(2,481)
Football Parents	(6)	6	-	-
Girls Basketball	3,029	11,830	14,229	630
Girls Golf	(95)	223	-	128
Golf	-	245	245	-
Soccer	1,272	3,679	3,233	1,718
Softball Club	3,940	23,761	24,705	2,996
Tennis Club	1,521	9,426	8,432	2,515
Track Boys	(20)	350	195.00	135
Track girls	242	2,519	2,146	615
Varsity Club	255	-	711	(456)
Volleyball	5,158	3,616	6,302	2,472
Wrestling Club	846	1,949	1,996	799
Totals	<u>\$ 121,931</u>	<u>\$ 386,472</u>	<u>\$ 363,070</u>	<u>\$ 145,333</u>

Portland Public Schools
Schedule of Outstanding Bonded Indebtedness
June 30, 2005

Date of issue: February 12, 2002

Original amount of issue: \$ 6,700,000

Purpose of issue: School building and site refunding bonds. Refunding of August 18, 1992 issue; payable November 1 and May 1.

Interest Rate	Fiscal Year	Semi-annual Interest payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
3.500%	2005-06	\$ 104,396	\$ 104,396	\$ 615,000	\$ 823,792
4.000%	2006-07	93,634	93,634	615,000	802,268
4.250%	2007-08	81,334	81,334	615,000	777,668
4.500%	2008-09	68,265	68,265	615,000	751,530
4.100%	2009-10	54,427	54,427	615,000	723,854
4.200%	2010-11	41,820	41,820	615,000	698,640
5.000%	2011-12	28,905	28,905	615,000	672,810
4.400%	2012-13	13,530	13,530	615,000	642,060
		<u>\$ 486,311</u>	<u>\$ 486,311</u>	<u>\$ 4,920,000</u>	<u>\$ 5,892,622</u>

Portland Public Schools
Schedule of Outstanding Bonded Indebtedness
June 30, 2005

Date of issue: July 1, 1996

Original amount of issue: \$ 330,000

Purpose of issue: Energy bonds for the purpose of providing energy conservation improvements to school facilities.

Interest Rate	Fiscal Year	Semi-annual Interest payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		<u>November 1st</u>	<u>May 1st</u>		
5.75%	2005-06	<u>\$ 1,294</u>	<u>\$ 1,294</u>	<u>\$ 45,000</u>	<u>\$ 47,588</u>

Portland Public Schools
Schedule of Outstanding Bonded Indebtedness
June 30, 2005

Date of issue: December 1, 1997

Original amount of issue: \$ 1,865,000

Purpose of issue: School building and site refunding bonds. Partial refunding of
July 1, 1989 issue; payable November 1 and May 1.

Interest Rate	Fiscal Year	Semi-annual Interest payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
4.55%	2005-06	\$ 28,393	\$ 28,393	\$ 115,000	\$ 171,786
4.60%	2006-07	25,776	25,776	115,000	166,552
4.65%	2007-08	23,131	23,131	115,000	161,262
4.75%	2008-09	20,458	20,458	115,000	155,916
4.85%	2009-10	17,726	17,726	115,000	150,452
4.90%	2010-11	14,937	14,937	115,000	144,874
4.95%	2011-12	12,120	12,120	120,000	144,240
5.00%	2012-13	9,150	9,150	120,000	138,300
5.10%	2013-14	6,150	6,150	120,000	132,300
5.15%	2014-15	3,090	3,090	120,000	126,180
		<u>\$ 160,931</u>	<u>\$ 160,931</u>	<u>\$ 1,170,000</u>	<u>\$ 1,491,862</u>

Portland Public Schools
Schedule of Outstanding Bonded Indebtedness
June 30, 2005

Date of issue: November 24, 1998

Original amount of issue: \$ 256,087

Purpose of issue: School Improvement (Durant Settlement)

<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Annual Interest Payments May 15th</u>	<u>Annual Maturity May 15th</u>	<u>Total Fiscal Year Requirements</u>
4.761353%	2005-06	\$ 5,588	\$ 12,395	\$ 17,983
4.761353%	2006-07	4,997	12,983	17,980
4.761353%	2007-08	4,380	13,604	17,984
4.761353%	2008-09	24,362	60,502	84,864
4.761353%	2009-10	3,053	14,930	17,983
4.761353%	2010-11	2,342	15,641	17,983
4.761353%	2011-12	1,597	16,385	17,982
4.761353%	2012-13	817	17,165	17,982
		<u>\$ 47,136</u>	<u>\$ 163,605</u>	<u>\$ 210,741</u>

Portland Public Schools
Schedule of Outstanding Bonded Indebtedness
June 30, 2005

Date of issue: November 19, 2001

Original amount of issue: \$ 27,945,000

Purpose of issue: School building and site general obligation bonds.

November 19, 2001 issue; payable November 1 and May 1.

Interest Rate	Fiscal Year	Semi-annual Interest payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
4.00%	2005-06	\$ 438,875	\$ 438,875	\$ 695,000	\$ 1,572,750
4.00%	2006-07	424,975	424,975	695,000	1,544,950
4.00%	2007-08	411,075	411,075	695,000	1,517,150
4.00%	2008-09	397,175	397,175	695,000	1,489,350
4.00%	2009-10	383,275	383,275	695,000	1,461,550
4.00%	2010-11	369,375	369,375	695,000	1,433,750
5.50%	2011-12	355,475	355,475	790,000	1,500,950
5.50%	2012-13	333,750	333,750	880,000	1,547,500
5.50%	2013-14	309,550	309,550	120,000	739,100
5.50%	2014-15	306,250	306,250	-	612,500
5.50%	2015-16	306,250	306,250	-	612,500
5.50%	2016-17	306,250	306,250	-	612,500
5.50%	2017-18	306,250	306,250	-	612,500
5.50%	2018-19	306,250	306,250	-	612,500
5.00%	2019-20	306,250	306,250	1,225,000	1,837,500
5.00%	2020-21	275,625	275,625	1,225,000	1,776,250
5.00%	2021-22	245,000	245,000	1,225,000	1,715,000
5.00%	2022-23	214,375	214,375	1,225,000	1,653,750
5.00%	2023-24	183,750	183,750	1,225,000	1,592,500
5.00%	2024-25	153,125	153,125	1,225,000	1,531,250
5.00%	2025-26	122,500	122,500	1,225,000	1,470,000
5.00%	2026-27	91,875	91,875	1,225,000	1,408,750
5.00%	2027-28	61,250	61,250	1,225,000	1,347,500
5.00%	2028-29	30,625	30,625	1,225,000	1,286,250
		<u>\$ 6,639,150</u>	<u>\$ 6,639,150</u>	<u>\$ 18,210,000</u>	<u>\$ 31,488,300</u>

Portland Public Schools
Schedule of Outstanding Bonded Indebtedness
June 30, 2005

Date of issue: June 24, 2005

Original amount of issue: \$7,440,000

Purpose of issue: School building and site refunding bonds. Partial refunding of
November 19, 2001 issue; payable November 1 and May 1.

Interest Rate	Fiscal Year	Semi-annual Interest payments		Annual Maturity May 1st	Total Fiscal Year Requirements
		November 1st	May 1st		
3.00%	2005-06	\$ 114,128	\$ 161,756	\$ 45,000	\$ 320,884
3.00%	2006-07	161,081	161,081	45,000	367,162
3.25%	2007-08	160,406	160,406	45,000	365,812
3.25%	2008-09	159,675	159,675	45,000	364,350
3.50%	2009-10	158,944	158,944	45,000	362,888
3.50%	2010-11	158,156	158,156	45,000	361,312
3.50%	2011-12	157,369	157,369	45,000	359,738
3.75%	2012-13	156,581	156,581	45,000	358,162
5.00%	2013-14	155,738	155,738	1,005,000	1,316,476
5.00%	2014-15	130,613	130,612	1,215,000	1,476,225
4.50%	2015-16	100,238	100,237	1,215,000	1,415,475
4.00%	2016-17	72,900	72,900	1,215,000	1,360,800
4.00%	2017-18	48,600	48,600	1,215,000	1,312,200
4.00%	2018-19	24,300	24,300	1,215,000	1,263,600
		<u>\$ 1,758,729</u>	<u>\$ 1,806,355</u>	<u>\$ 7,440,000</u>	<u>\$ 11,005,084</u>

**Portland Public Schools
Schedule of Contracts Payable
June 30, 2005**

Date of issue: July 21, 2004

Original amount of issue: \$ 109,550

Purpose of issue: To finance the purchase of school buses

<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
3.1%	2005-06	\$ 3,451	\$ 26,127	\$ 29,578
3.1%	2006-07	2,628	26,950	29,578
3.1%	2007-08	1,779	27,799	29,578
3.1%	2008-09	<u>903</u>	<u>28,674</u>	<u>29,577</u>
		<u>\$ 8,761</u>	<u>\$ 109,550</u>	<u>\$ 118,311</u>

Portland Public Schools
Schedule of Contracts Payable
June 30, 2005

Date of issues: July 15, 2000 & October 23, 2001

Original amount of issues: \$ 191,321

Purpose of issues: Bus contracts

<u>Date</u>	<u>Original Amount</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
10/23/01	\$ 89,955	10/23/05	4.99%	<u>\$ 1,205</u>	<u>\$ 24,157</u>	<u>\$ 25,362</u>

Portland Public Schools
Schedule of Contracts Payable
June 30, 2005

Date of issue: April 18, 1996

Original amount of issue: \$ 255,000

Purpose of issue: To finance acquisition of bus garage

<u>Interest</u>	<u>Fiscal Year</u>	<u>Interest</u>	<u>Annual Maturity</u>	<u>Total Fiscal Year</u>
5.85%	2005-06	<u>\$ 1,024</u>	<u>\$ 35,000</u>	<u>\$ 37,048</u>

Portland Public Schools
Schedule of Contracts Payable
June 30, 2005

Date of issue: August 22, 2003

Original amount of issue: \$ 110,907

Purpose of issue: To finance the purchase of school buses

<u>Interest</u>	<u>Fiscal Year</u>	<u>Interest</u>	<u>Annual Maturity</u>	<u>Total Fiscal Year</u>
2.90%	2005-06	\$ 2,439	\$ 27,239	\$ 29,678
2.90%	2006-07	1,649	28,029	29,678
2.90%	2007-08	<u>836</u>	<u>28,842</u>	<u>29,678</u>
		<u>\$ 4,924</u>	<u>\$ 84,110</u>	<u>\$ 89,034</u>



7810 N. Alger Rd.
Alma, MI 48801
Phone (989) 463-6108
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July 28, 2005

To the Board of Education
Portland Public Schools
Portland, Michigan

In planning and performing our audit of the general purpose financial statements of Portland Public Schools for the year ended June 30, 2005, we considered the District's internal control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. As a result of the aforementioned study, we became aware of the following matters that are an opportunity for strengthening internal control and operating efficiency. The following summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated July 28, 2005 on the financial statements of Portland Public Schools.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

CASH MANAGEMENT

During our test of disbursements for internal control testing, we noted that a check was written for a petty cash reimbursement when no supporting receipts were provided. We recommend that petty cash reimbursements only be granted after all supporting receipts are provided with the reimbursement form. We also noted in this same test that petty cash reimbursement checks were being made out directly to the school secretaries who administer petty cash. It is our suggestion that petty cash reimbursement checks be made to Portland Public Schools rather than to the secretaries to help deter the opportunity for embezzlement.

PRIOR YEAR COMMENTS AND RECOMMENDATIONS

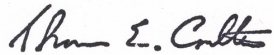
ATHLETIC RECEIPTS

Upon our review of the receipts system in the area of athletics, we noted tickets were not being used at athletic events. It is our recommendation the District implement a ticket log sheet and distribute tickets at all athletic events to strengthen internal controls. The tickets should be torn in half so that they cannot be reused. We also recommend preparing a reconciliation of tickets sold to money collected for each athletic event. A ticket log sheet and reconciliation will add another check and balance to the athletic receipt system.

We will review the status of these comments during our next audit engagement. We will be happy to discuss with you, at your convenience, any accounting or reporting issues for which you would like additional information or guidance. We are grateful for the opportunity to be of service to the District and would appreciate any referrals or recommendations you might have for ways that we can improve our service to you.

Sincerely,

YEO & YEO, P.C.
CPAs and Business Consultants



Thomas E. Coulter

Portland Public Schools

Portland , Michigan

Single Audit Report

June 30, 2005

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Report on Internal Control Over Financing Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board of Education
Portland Public Schools
Portland, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portland Public Schools as of and for the year ended June 30, 2005, which collectively comprise the Portland Public Schools' basic financial statements and have issued our report thereon dated July 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Portland Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Portland Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Education, management and related regulatory agencies and is not intended for and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
July 28, 2005



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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Members of the Board of Education
Portland Public Schools
Portland, Michigan

Compliance

We have audited the compliance of the Portland Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. The Portland Public School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Portland Public Schools' management. Our responsibility is to express an opinion on the Portland Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Portland Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Portland Public Schools' compliance with those requirements.

In our opinion, the Portland Public Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

The management of Portland Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Portland Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portland Public Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated July 28, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise Portland Public Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
July 28, 2005

Portland Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Approved Award Amount	Accrued (Deferred) Revenue July 1, 2004	Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2005
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Entitlement Commodities	10.550	-	\$ 37,033	\$ -	\$ -	\$ 37,033	\$ 37,033	\$ -
Bonus Commodities	10.550	-	7,399	-	-	7,399	7,399	-
Subtotal			44,432	-	-	44,432	44,432	-
National School Lunch - Breakfast	10.553	041970	6,939	-	5,810	1,129	1,129	-
National School Lunch - Breakfast	10.553	051970	9,269	-	-	9,269	9,269	-
National School Lunch Sec. 4 - All Lunches	10.555	041950	23,463	-	20,240	3,223	3,223	-
National School Lunch Sec. 4 - All Lunches	10.555	041960	56,620	-	48,462	8,158	8,158	-
National School Lunch Sec. 11 - Free & Reduced	10.555	051950	21,460	-	-	21,460	21,460	-
National School Lunch Sec. 11 - Free & Reduced	10.555	051960	54,168	-	-	54,168	54,168	-
Subtotal			171,919	-	74,512	97,407	97,407	-
Total U.S. Department of Agriculture			216,351	-	74,512	141,839	141,839	-
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I - Part A	84.010	0415300405	196,733	643	182,300	15,076	14,433	-
Title I - Part A	84.010	0515300405	175,353	-	-	86,248	150,112	63,864
Subtotal			372,086	643	182,300	101,324	164,545	63,864
Title V Lea Allocation	84.298	0402500304	2,099	-	907	1,192	1,192	-
Technology Literacy Challenge	84.318	0442900405	4,761	-	4,761	-	4,456	4,456
Improving Teacher Quality	84.367	0405200405	84,708	2,528	19,693	41,395	65,015	26,148
Improving Teacher Quality	84.367	0505200405	83,609	-	-	52,311	53,650	1,339
Subtotal			168,317	2,528	19,693	93,706	118,665	27,487
Total Passed Through Michigan Department of Education			547,263	3,171	207,661	196,222	288,858	95,807
Passed through the Intermediate School District								
Service learning mini grant	94.004	-	698	-	-	-	505	505
Drug Free School	84.186	-	4,243	-	-	4,243	4,243	-
Subtotal			4,941	-	-	4,243	4,748	505
National Science Foundation								
Passed through Michigan State University								
Connected Math	47.076	9986372	88,300	-	-	86,418	86,418	-
Total U.S. Department of Education			640,504	3,171	207,661	286,883	380,024	96,312
Total Federal Awards			\$ 856,855	\$ 3,171	\$ 282,173	\$ 428,722	\$ 521,863	\$ 96,312

Portland Public Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2005

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2005.
3. The Federal amounts reported on the Form R-7120 "Grant Sections Auditor's Report" are in agreement with the Schedule of Expenditures of Federal Awards.
4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.

Section I - Summary of Auditor's Results

Type of auditor's report issued: unqualified

- Material weakness(es) identified? yes x no

- Noncompliance material to financial statements notes? yes x no

Internal control over major programs:

- Type of auditor's report issued on compliance for major programs: unqualified


YEO & YEO

Portland Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005
(continued)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

10.553 & 10.555	Child Nutrition Cluster
-----------------	-------------------------

Dollar threshold used to distinguish between
type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Portland Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005
(continued)

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2005.

Section III - Federal Awards Findings and Questioned Costs

There were no findings or questioned costs for the year ended June 30, 2005.

Portland Public Schools
Summary Schedule of Prior Audit Findings
June 30, 2005

There were no findings or questioned costs for the year ended June 30, 2004.